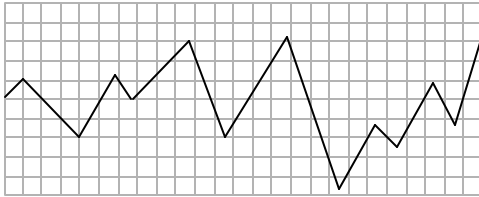
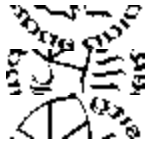


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WEATHER AND USDA REPORTS TO INFLUENCE CORN AND SOYBEAN PRICES

Corn and soybean prices continue to demonstrate seasonal strength, influenced by a high rate of consumption and U.S. and world crop concerns. For soybeans, both the domestic crush and exports continue at a pace above that projected by the USDA. The expected return of China to the important market should keep the pace of U.S. exports high, especially in the light of continued problems in Argentina. Based on the USDA's weekly export inspection report, U.S. exports through June 20 were 5 percent larger than cumulative shipments of a year ago. For the year, the USDA has projected a 3.5 percent increase. Unshipped sales as of June 13 totaled 97.5 million bushels, compared to 74.2 million bushels of outstanding sales on the same date last year. Similarly, the cumulative domestic crush during the first three quarters of the marketing year is estimated at 1.30 billion bushels, 4.7 percent larger than the crush during the same period last year. For the year, the USDA has projected an increase of 3.3 percent.

For corn, the pace of exports compared to that of last year accelerated in the second and third quarters of the marketing year. The USDA's export inspection report indicated that cumulative shipments as of June 20 were 3 percent larger than the total of a year ago. However, unshipped sales as of June 13 totaled 252.5 million bushels, compared to 290.1 million on the same date last year. For the year, the USDA projects that exports will reach 1.925 billion bushels, 10 million less than shipments of a year ago. Corn exports were very large during the summer of 2001. The recent rapid pace of shipments will have to continue if the USDA projection is to be reached.

The USDA's June *Grain Stocks* report will be released on June 28. The market will use the June 1 corn stocks estimate to gauge the rate of domestic use of corn during the third quarter of the marketing year. If the pace of consumption was in line with the USDA projection, June 1 stocks of corn should have been near 3.67 billion bushels, about 250 million less than on the same date last year. Soybean stocks on June 1 should have been near 690 million bushels, based on the estimates of use during the third quarter of the year.

In addition to the *Grain Stocks* report, the market will have considerable interest in the *Acreage* report to be released on the same date. Late planting, particularly in the eastern corn belt, suggests that the *Acreage* report will reflect a fair amount of intentions rather than actual plantings. Still, the report will be an important benchmark for judging final planted acreage of

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the major crops. The market expects the report to show a significant switch from corn to soybean acreage due to the lateness of the planting season in some areas. The report is also expected to reflect failed wheat acres being planted to other crops. Some private analysts have projected a significant increase in sorghum acreage, compared to March intentions, due to replanting of failed wheat acreage. In addition to acreage of individual crops, the report will give some perspective on the magnitude of abandoned acreage.

Weather conditions and crop prospects will be the dominating price factors for the next few months. U.S. corn and soybean yield prospects may be the most important price factors, but developments in other areas will also be critically important. In particular, the market is taking note of dry conditions in Australia, flooding in parts of China and Russia, and the slow development of the monsoon in India. For coarse grains, world production has been at a relatively high level since 1995-96. Individual countries have had shortfalls in production, but the U.S. has had consistently large crops since 1996. For wheat, world production has been relatively large since the consecutive small crops of 1994-95 and 1995-96. The current relatively low level of U.S. and world stocks and the generally low prices of wheat and coarse grains suggest that production shortfalls could have significant price impacts. The market is beginning to reflect production concerns, but price action may be relatively conservative until the U.S. crops reach the critical reproductive stages of growth.

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